

Message Text

CONFIDENTIAL

PAGE 01 JAKART 11591 01 OF 02 021248Z

43

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

EB-07 COME-00 TRSE-00 OMB-01 /069 W

----- 084826

R 020915Z SEP 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6553

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL HONG KONG

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L SECTION 1 OF 2 JAKARTA 11591

E.O. 11652: GDS

TAGS: PFOR, ID

SUBJECT: INDONESIA: CURRENT TRENDS AND QUESTIONS

1. SUMMARY: CURRENT SITUATION IN INDONESIA IS NEITHER AS DARK AS SOME PROPHETS WOULD SUGGEST NOR AS BRIGHT AS ITS FRIENDS WOULD LIKE TO TO BE. WHILE MOMENTUM OF NEW ORDER HAS APPARENTLY REACHED PLATEAU, WE DO NOT SEE ANY SERIOUS THREAT TO NEAR TERM STABILITY (5 YEARS) OR CONTINUATION PRESENT LEADERSHIP. GOVERNMENT IS FACING UP TENTATIVELY TO SOME SERIOUS WEAKNESSES; CONTINUES TO IGNORE OTHERS. ON INTERNATIONAL PLANE INDONESIA SEEKS TO MAINTAIN TWO FACES OF NON-ALIGNMENT AND HEAVY DEPENDENCE ON WEST. END SUMMARY.

2. RAMADAN LULL SEEMS APPROPRIATE TIME TO LOOK AT INDONESIAN SITUATION FOLLOWING PREVIOUS ACTIVE MONTHS OF TIMOR ACQUISITION, PERTAMINA READJUSTMENTS, AND CONTENTIOUS OIL NEGOTIATION.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JAKART 11591 01 OF 02 021248Z

TIONS. ASSESSMENT ALSO APPROPRIATE IN LIGHT NUMEROUS OFTEN

WILD RUMORS WHICH FLOAT HERE FROM SINGAPORE AND ELSEWHERE OF POLITICAL CHANGE, CANCELLATION OF ELECTIONS AND SERIOUS ECONOMIC DECLINE. BASIS DOES EXIST FOR SOME OPTIMISM AS WELL AS FOR PESSIMISM. THERE SEEMS LITTLE BASIS FOR PREDICTIONS OF SERIOUS INTERNAL CRISIS IN NEAR TERM.

3. ON PLUS SIDE PRESIDENT APPEARS TO BE FACING UP AT LEAST RHETORICALLY TO ISSUES DISTURBING PUBLIC SUCH AS CORRUPTION OF OFFICIALS, MALDISTRIBUTION OF WEALTH, AND ROLE OF ISLAM. CYNICAL OBSERVERS, HOWEVER, QUESTION THE EFFECTIVENESS OF PRESIDENT'S CALL FOR CORRECTION OF CORRUPT PRACTICES. HE SEEMS ALSO TO BE SEEKING WAYS TO OVERCOME THE PROBLEMS OF INVESTMENT CLIMATE AND DETAINEES WHICH DISTURBED FRIENDS ABROAD. WHILE HE IS PERHAPS MORE ISOLATED THAN IN EARLIER YEARS, HE SEEMS TO RETAIN FULL SUPPORT OF AT LEAST SENIOR ARMY GROUP.

4. ALSO ON PLUS SIDE GOI HAS WEATHERED SERIOUS FINANCIAL CRISIS ARISING FROM PERTAMINA COLLAPSE. DESPITE THAT SITUATION, ECONOMIC GROWTH CONTINUING, ALTHOUGH AT SOMEWHAT REDUCED LEVEL.

5. ON INTERNATIONAL SCENE, INDONESIA'S NORMALLY MODEST AND MODERATE ROLE IN POLITICAL MATTERS AUGMENTED BY MORE ACTIVE ROLE IN NORTH-SOUTH DIALOGUE GROUPINGS. AS PRESIDENT CLEARLY INDICATED IN ANNIVERSARY DAY SPEECH, HOWEVER, INDONESIA STILL ATTACHES PRIMARY IMPORTANCE TO ECONOMIC TIES WITH WEST AND PARTICULARLY WITH IGGI COUNTRIES.

6. ON MINUS SIDE, PRESIDENT, WHILE FACING UP TO CORRUPTION IN BUREAUCRACY, IS CLEARLY NOT FACING UP TO CONFLICT OF INTEREST ACTIVITIES OF HIS OWN FAMILY AND MANY HIGH OFFICIALS. THIS BECOMING LOUDER UNDERCURRENT IN INDONESIA ALTHOUGH IT IS PROBABLY NOT YET POLITICAL FACTOR OF SUFFICIENT STRENGTH TO THREATEN PRESIDENT'S POSITION.

7. ON ECONOMIC SIDE THERE IS NATURALLY SOME DOMESTIC SLOW-DOWN WHICH HAS BEEN AGGRAVATED IN SOME SECTORS BY THE GENERAL WORLD ECONOMIC CONDITIONS AND THREATENED DROUGHT IN CENTRAL JAVA. DECISION TO SEEK IMMEDIATE CASH FROM OIL
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JAKART 11591 01 OF 02 021248Z

COMPANIES MAY RESULT IN SOME NEGATIVE IMPACT ON FURTHER EXPLORATION BY SOME COMPANIES WHICH COULD SLOW PROJECTED INCREASES IN FUTURE REVENUES.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 JAKART 11591 02 OF 02 021530Z

43

ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

EB-07 COME-00 TRSE-00 OMB-01 /069 W

----- 086825

R 020915Z SEP 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 6554

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL HONG KONG

AMCONSUL MEDAN

AMCONSUL SURABAYA

C O N F I D E N T I A L SECTION 2 OF 2 JAKARTA 11591

8. UNCERTAINTY EXISTS REGARDING ELECTION, PRIMARILY RELATING TO GOVERNMENT'S POSSIBLE REACTION TO OPPOSITION LIKELY FROM MOSLEM SOURCES. SOME CRITICS QUESTION NEED TO HOLD ELECTIONS SINCE OUTCOME IS VIRTUALLY CERTAIN BUT PRESIDENT IS DETERMINED MEET CONSTITUTIONAL REQUIREMENT AND WE SEE LITTLE POSSIBILITY HE WILL TURN BACK. STUDENT POPULATION, SMALL CADRE OF INTELLECTUALS AND CONSERVATIVE MOSLEM LEADERS ARE PROBABLY DISAFFECTED BUT NONE POSSESS POWER TO DEFLECT MOMENTUM OF GOVERNMENT POLITICAL POLICY.

9. ON INTERNATIONAL SIDE, WHILE GOVERNMENT DEFINITELY DESIRES MAINTAIN TIES WITH WEST, IT FEELS IT CAN DO SO AND AT SAME TIME PLAY ACTIVE ROLE IN THIRD WORLD. AT SOME COST TO MANAGEMENT OF INTERNAL DEVELOPMENT, GOI IS INCREASING ITS ROLE IN EXTERNAL ECONOMIC DIPLOMACY. MAINTENANCE INDONESIA'S THIRD WORLD IMAGE IS PROBABLY NOT NECESSARILY TO OUR DISADVANTAGE BUT LONGER TERM IMPACT OF ITS POSITION
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JAKART 11591 02 OF 02 021530Z

IN UNCTAD, G-77, AND CIEC ON OUR BILATERAL RELATIONS STILL TO BE ASSESSED.

10. DURING PERIOD WHEN THERE ARE BOTH PLUSES AND MINUSES IN LOCAL SCENE AND DURING TIME WHEN SOME PEOPLE'S OXES ARE BEING GORED, NEED EXISTS FOR ALL OBSERVERS CAREFULLY TO WEIGH RUMORS AND ASSESSMENTS. SOME OF DARKEST PREDICTIONS CAME FROM INTERESTED PARTIES DURING OIL NEGOTIATIONS AND ARE NOW SELDOM HEARD. INDONESIAN BUSINESSMEN WHO HAVE BEEN HURT BY SOME OF GOVERNMENT'S MEASURES AGAINST SMUGGLING AND OSTENTATION CAN ALSO BE SOURCE OF DISQUIETING BUT UNFOUNDED RUMORS. AUSTRALIANS AND SINGAPOREANS ALSO SEEM TO BE LOOKING FOR DARKER SIDE. ONE EXAMPLE WAS RUMOR FLOATED THAT INDONESIA HAD UNSUCCESSFULLY SOUGHT LARGE COMMERCIAL INTERNATIONAL LOAN, REPORT WHICH PROVED TO BE UNFOUNDED BUT WHICH MAY HAVE HAD IMPACT IN SOME FINANCIAL CIRCLES ABROAD.

11. INVESTMENT CLIMATE IS, UNDOUBTEDLY, LESS FAVORABLE DUE TO INDONESIANIZATION CURRENTS AND DIFFICULTIES OF DOING BUSINESS. HOWEVER, MAJOR PRIVATE PROJECTS SUCH AS DOW CHEMICAL AND PACIFIC NICKEL ARE STILL BEING LAUNCHED. THOSE PRIVATE INVESTORS EXAMINING DISINVESTMENT AS POSSIBLE COURSE ACKNOWLEDGE PROBLEMS ARE IN SOME MEASURE OF THEIR OWN MAKING. TOTAL NUMBER OF OIL RIGS OPERATING IN COUNTRY ON SHORE AND OFF SHORE 34 AS COMPARED TO 40 ON MAY 30; DECLINE GENERALLY PART OF WORLD PICTURE NOT CONFINED TO INDONESIA.

12. ALTHOUGH THE SHORT RUN IS ENVISIONED AS LIKELY TO BE STABLE BOTH POLITICALLY AND ECONOMICALLY, THE LONGER RANGE SITUATION WILL BE DETERMINED BY THE RELATIVE SUCCESS OF THE GOI IN DEALING WITH FUNDAMENTAL PROBLEMS OF POPULATION EXPLOSION, GROWING RURAL AND URBAN UNEMPLOYMENT AND UNDEREMPLOYMENT, CONTINUING SHORTFALLS IN FOOD PRODUCTION AND GROWING DISPARITIES IN INCOME DISTRIBUTION. LONGER RANGE STABILITY UNDOUBTEDLY DEPENDS ON DRAMATIC IMPROVEMENTS IN THESE CRONIC PROBLEM AREAS AND ALSO THE ABILITY OF THE GOI TO MAINTAIN SOUND MONETARY AND FISCAL POLICIES WHICH INCREASE THE MOBILIZATION OF DOMESTIC RESOURCES, REDUCE THE DEPENDENCE ON OIL REVENUES AND IMPROVE THE PRODUCTION

CONFIDENTIAL

PAGE 03 JAKART 11591 02 OF 02 021530Z

AND INVESTMENT CLIMATE WITHIN THE COUNTRY.

13. HAVING SAID FOREGOING, WE CAN ALSO EMPHASIZE NEED FOR HARD-HEADED LOOK AND PROPER CAUTION IN ASSESSING SITUATION, PARTICULARLY LONG TERM TERM PROSPECTS. EUPHORIC ATMOSPHERE OF 1970-73 HAS BEEN REPLACED BY GREATER REALISM AND THIS IS

GOOD THING. INDONESIA NEEDS TO BE SEEN AS POOR, THINKLY
TALENTED COUNTRY WITH MAJOR PROBLEMS AND ALL THE CHARACTER-
ISTICS OF ASIAN UNDER DEVELOPMENT. WE SHOULD NOT BE
SURPRISED AT UNEXPECTED DEVELOPMENTS EVEN IF SEEDS ARE
DIFFICULT TO DISCERN. FURTHERMORE, WE DO NOT DISCOUNT
LIKELIHOOD AS WE MOVE CLOSER TO ELECTION OF LOCAL FLAREUPS
REQUIRING STRONG SECURITY ACTION. SUCH DISTURBANCES WOULD
BE IGNITED BY SOME LOCAL SITUATION BUT WOULD BE EXACERBATED
BY IMPACT OF NEGATIVE FACTORS SUCH AS INCOME DISPARITIES,
CORRUPTION AND ETHNIC TENSIONS, GOI SECURITY WILL BE ABLE
TO CONTAIN SUCH SITUATIONS. IF INDONESIA AND ITS CURRENT
SITUATION IS SEEN FOR WHAT IT IS, WE CONTINUE TO FEEL IT
IS GOOD BET FOR U.S. POLICY AND FOR DISCERNING ENTREPRENUERS.
NEWSOM

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL STABILITY, SPHERE OF INFLUENCE, POLITICAL SITUATION, INTELLIGENCE ASSESSMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976JAKART11591
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760333-0785
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760998/aaaadgdz.tel
Line Count: 237
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAY 2004 by ifshinsr>; APPROVED <15 SEP 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDONESIA: CURRENT TRENDS AND QUESTIONS
TAGS: PFOR, ID
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006